

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31st July, 2002.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding.

The Group's principal activities have not changed during the year and consisted of property development for sale and property investment for rental purposes.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity of operations for the year ended 31st July, 2002 is set out in note 4 to the financial statements.

No geographically analysis is presented as over 90% of the Group's turnover and operating profit are derived from activities in the PRC.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31st July, 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 69.

The directors do not recommend the payment of a final dividend in respect of the year (2001: Nil). No interim dividend has been declared or paid by the Company for the year (2001: Nil).

Report of the Directors

DIRECTORS

The directors of the Company as at the date of this report and those who held office during the year are:

Executive directors:

Lim Por Yen (<i>Chairman</i>)	(appointed on 4th September, 2002)
Lam Kin Ming (<i>Deputy Chairman</i>)*	
Lam Kin Hong, Matthew (<i>Chief Executive Officer</i>)	(appointed on 22nd December, 2001)
Ho Wing Tim (<i>Deputy Chief Executive Officer</i>)°	
Lam Kin Ngok, Peter	
Yew Yat Ming	(appointed on 7th January, 2002)
Tong Yuk Lun, Paul	(resigned on 30th November, 2001)

Non-executive directors:

Lam Kin Ko, Stewart°	
Chiu Wai°	
Shiu Kai Wah°	
Mui Chiu Ying°	(resigned on 1st May, 2002)
Siu Fai Wing°	
Yu Po Kwan°	
Chan Lap Wai	(appointed on 22nd December, 2001 and resigned on 4th September, 2002)
Andrew Gerard Purcell	(appointed on 4th September, 2002 and resigned on 21st October, 2002)
Wong Yee Sui, Andrew**	
Lam Bing Kwan**	

** *Independent non-executive directors*

* *Also an alternate director to°*

In accordance with Article 99 of the Company's Articles of Association, Mr. Lam Kin Hong, Matthew and Mr. Yew Yat Ming retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 116 of the Company's Articles of Association, Mr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter and Mr. Wong Yee Sui, Andrew retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 119 of the Company's Articles of Association, Mr. Lim Por Yen retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 5(iii) to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in notes 5(ii) and 25 to the financial statements, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, Mr. Lim Por Yen, held interests and/or directorships in companies engaged in businesses of property investment and development in the PRC, and thus is considered to have interests in a business which competes, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

As the board of directors of the Company (the "Board") is independent from the boards of director of the aforesaid companies and Mr. Lim Por Yen does not control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of the aforesaid companies.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors:

Mr. Lim Por Yen, Chairman, aged 87, is the founder of the Lai Sun Group and was appointed a director of the Company on 4th September, 2002. He is also the chairman and managing director of Lai Sun Garment (International) Limited (a substantial shareholder of the Company), the chairman of Crocodile Garments Limited, the honorary chairman of Lai Sun Development Company Limited and an executive director of eSun Holdings Limited. Mr. Lim first became involved in the property and investment business in the mid-1950's and has close to 60 years' experience in the garment business. He is an honorary citizen of the city of Guangzhou, the city of Swatow, the city of Xiamen and the city of Zhong Shan in the People's Republic of China. Mr. Lim was also one of the Hong Kong Affairs Advisers to the People's Republic of China and is a founder member of The Better Hong Kong Foundation.

Mr. Lam Kin Ming, Deputy Chairman, aged 65, was appointed a director of the Company on 8th September, 1997. He was also appointed an alternate director to Mr. Chiu Wai, Mr. Shiu Kai Wah, Mr. Siu Fai Wing, Mr. Lam Kin Ko, Stewart, Mr. Ho Wing Tim and Ms. Yu Po Kwan on 21st April, 2001. Mr. Lam is a director of Lai Sun Development Company Limited and eSun Holdings Limited and the deputy chairman of both Lai Sun Garment (International) Limited (a substantial shareholder of the Company) and Crocodile Garments Limited. Mr. Lam has extensive experience in property development and investment business, having been involved in the day-to-day management of the garment business since 1958. Mr. Lam is a son of Mr. Lim Por Yen and is the elder brother of Mr. Lam Kin Ngok, Peter.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Mr. Lam Kin Hong, Matthew, Chief Executive Officer, aged 34, was appointed a director of the Company on 22nd December, 2001. He is also an executive director of Lai Sun Garment (International) Limited (a substantial shareholder of the Company) and Crocodile Garments Limited. He attained a Bachelor of Science Degree from the University of London and underwent his training as a solicitor with an international law firm, Messrs. Richards Butler. He is a member of the Law Society of Hong Kong and the Law Society of England and Wales. Mr. Lam has considerable experience in the property development fields and corporate finance fields in Hong Kong and China. Mr. Lam is a son of Mr. Lim Por Yen and is the youngest brother of Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Ming.

Mr. Ho Wing Tim, Deputy Chief Executive Officer, aged 44, was appointed a director of the Company on 21st April, 2001. Mr. Ho joined the Lai Sun Group in November 1990. He is also the financial controller of Lai Sun Garment (International) Limited (a substantial shareholder of the Company). He has over 20 years' experience in the finance field.

Mr. Lam Kin Ngok, Peter, aged 45, was appointed a director of the Company on 25th November 1993. Mr. Lam is also the chairman and president of Lai Sun Development Company Limited, a deputy chairman of Lai Sun Garment (International) Limited (a substantial shareholder of the Company), a director of eSun Holdings Limited and Crocodile Garments Limited. Mr. Lam has extensive experience in property development and investment business. He is a director of the Real Estate Developers Association of Hong Kong, a member of the Hong Kong Hotel Owners Association and a council member of the Anglo Hong Kong Trust. Mr. Lam is a son of Mr. Lim Por Yen and is the younger brother of Mr. Lam Kin Ming.

Mr. Yew Yat Ming, aged 35, was appointed a director of the Company on 7th January, 2002. Mr. Yew joined the Lai Sun Group in 1991. He is an executive director of Kingscord Investment Limited, a subsidiary of Lai Sun Garment (International) Limited (a substantial shareholder of the Company) and is responsible for property development business. He graduated with a Master of Science degree in Construction Management in London and qualified as a professional associate of various institutions including The Royal Institution of Chartered Surveyors, The Chartered Institute of Arbitrators and is also a Registered Professional Surveyor in Hong Kong. He is the Council Member of Shanghai Real Estate Association. Mr. Yew has served with the Hong Kong Government and an international consultancy firm and has over 14 years' experience in property investment, land acquisitions, project planning and management in Hong Kong and the Mainland of China.

Non-executive directors:

Mr. Lam Kin Ko, Stewart, aged 54, was appointed a director of the Company on 21st April, 2001. He has over 10 years' experiences in garment manufacturing and China trade and had held the position of Consultant to the Chairman (China Affairs) of the Lai Sun Group since 1994. Mr. Lam is also a director of Crocodile Garments Limited.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive directors: (continued)

Mr. Chiu Wai, aged 71, was appointed a director of the Company on 21st April, 2001. Mr. Chiu is also a director of Lai Sun Garment (International) Limited (a substantial shareholder of the Company), Lai Sun Development Company Limited, eSun Holdings Limited and Crocodile Garments Limited. Mr. Chiu has over 40 years' experience in production management.

Mr. Shiu Kai Wah, aged 70, was appointed a director of the Company on 21st April, 2001. He is also a director of Lai Sun Garment (International) Limited (a substantial shareholder of the Company), Lai Sun Development Company Limited, eSun Holdings Limited and Crocodile Garments Limited. Mr. Shiu has over 30 years' experience in the management of the garment business.

Mr. Siu Fai Wing, aged 56, was appointed a director on 21st April, 2001. Mr. Siu is the president and chief executive officer of China Gallery Group Limited, managing director of Hong Kong Gallery Centre & Enterprise Co., Ltd. and chairman and managing director of Shantou SEZ Art & Culture Centre Development Co., Ltd.. He has been actively involved in cultural and civic activities and currently serves as a director of a number of organisations and societies such as Federation of Hong Kong Guangdong Community Organisations Ltd., Hong Kong Institute of Chinese Paintings, Calligraphy & Cultural Relics Limited (chairman) and the Hong Kong Shantou Chamber of Commerce.

Ms. Yu Po Kwan, aged 52, was appointed a director of the Company on 21st April, 2001. Ms. Yu is a senior manager of Lai Sun Garment (International) Limited (a substantial shareholder of the Company). She has over 25 years extensive experience in the import and export of garments business and has been managing the garment export quota operation since 1980. Ms. Yu was also elected a director of the Federation of Hong Kong Garment Manufacturers in 2002.

Independent non-executive directors:

Mr. Wong Yee Sui, Andrew, aged 53, was appointed an independent non-executive director of the Company on 1st December, 1999. Mr. Wong graduated from the University of Adelaide, South Australia in 1971 and obtained a Master of Business Administration degree at Queen's University, Canada in 1974. He became a Chartered Accountant in 1976 in Quebec, Canada, and a fellow member of Hong Kong Society of Accountants in 1988. Mr. Wong has extensive experience in the auditing and finance fields in Hong Kong and overseas. He is a partner of W. M. Sum & Co., a firm of Certified Public Accountants in Hong Kong.

Mr. Lam Bing Kwan, aged 53, was appointed an independent non-executive director of the Company on 30th July, 2001. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. He has substantial experience in property development and investment in the Mainland of China, having been closely involved in this industry since the mid-1980's. Mr. Lam has served on the boards of listed companies in Hong Kong for over 10 years and is currently a director of Sino-i.com Limited and South Sea Holding Company Limited, both listed on the Main Board of the Hong Kong Stock Exchange.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management:

Mr. Woo King Hang, aged 41, was appointed senior vice president of the Company in May 2001. Mr. Woo holds a Bachelor of Science degree in Accounting (University of the State of New York), a Bachelor of Laws degree (Peking University) and a Master of Laws degree (City University of Hong Kong). He is also a fellow member of the Association of Chartered Certified Accountants, Hong Kong Society of Accountants, and the Taxation Institute of Hong Kong. He has over 15 years' experience in finance and administration, and has served as group chief accountant, executive director and chief financial officer of different listed companies, and in other positions with the Hong Kong Government, a certified public accountants firm, a major retail company and a major electronic media company.

Mr. So Hiu Hung, aged 52, is an assistant vice president of the Company and has over 20 years' experience in project development and management in the PRC. Prior to joining the Lai Sun Group in May 1995, he was employed by Great Nortic group and Sun Hung Kai Development (China) Limited as assistant project manager. Mr. So is responsible for the day-to-day management of the Group's projects in the PRC.

Mr. Tong Chit, aged 57, is an assistant vice president of the Company. He has over 20 years' extensive experience in project development and administration in the Mainland. Before joining the Lai Sun Group in March 1993, he was employed by Seapower group as manager of China trade and real estate business department. Mr. Tong is responsible for the administration of the Group's Guangzhou office in the Mainland.

Mr. Wong Man Kong, aged 39, a director of Shanghai Li Xing Real Estate Development Co., Ltd. ("Shanghai Li Xing"). He had worked for The Peninsula, Hong Kong, The Ritz-Carlton Hotel, Hong Kong, Beijing Palace Hotel and Guangzhou China Hotel for about 20 years and had acquired experience in the management of 5-star hotels and service apartments. Mr. Wong subsequently took up employment as the general manager of the property management arm of a group based in Hong Kong. Mr. Wong joined the Group in March 2000 and is currently responsible for all operational matters relating to the management, marketing, sales and leasing of Shanghai Li Xing.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st July, 2002, none of the directors and chief executive of the Company had any interest in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Code for Securities Transactions by Directors of Listed Companies adopted by the Company.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2002, the persons listed below were interested in 10% or more of the total issued share capital of the Company as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance:

Name of Shareholder	Number of Shares Held	Shareholding Percentage
Lai Sun Garment (International) Limited ("LSG") (<i>Note</i>)	1,767,125,360	46.04%
Mr. Lim Por Yen (<i>Note</i>)	1,767,125,360	46.04%
Silver Glory Securities Limited ("SGS")	554,321,118	14.44%
Credit Suisse First Boston (Hong Kong) Limited	442,112,068	11.52%

Note: These interests in the Company represented the shares beneficially owned by LSG (1,212,804,242 shares) and SGS (554,321,118 shares), a wholly-owned subsidiary of LSG. Mr. Lim Por Yen was deemed to be interested in the 1,767,125,360 shares in the Company held by LSG and SGS since Mr. Lim Por Yen (together with his associates) held an interest of about 34.30% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate an interest of about 42% in the issued share capital of LSG.

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Save for the interests disclosed above, the directors are not aware of any other person being interested in 10% or more of the issued share capital of the Company as at 31st July, 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st July, 2002, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

Report of the Directors

DETAILS OF PROPERTIES

Details of the properties under development of the Group are as follows:

Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
Eastern Place, 787 Dong Feng Dong Lu, Guangzhou, Guangdong Province, PRC	100%	Phase III construction work in progress	Phase III Late 2003	Commercial/ residential/ office	Total site area (Phase III and remaining phases): 44,252 sq.m. Total gross floor area (Phase III and remaining phases): approximately 222,000 sq.m.
Wuyuehua Shangye Guangchang (previously known as New Trend Plaza), 32-80 Zhongshanwu Road, 5-15 Guang Da Road and 3-7 Guangzhou Yixiang, Yue Xiu District, Guangzhou, Guangdong Province, PRC	100%	Construction work in progress	Late 2003	Commercial/ office	Total site area: 5,782 sq.m. Total gross floor area: approximately 35,000 sq.m.
Guangli Building, Chang Di Main Road, Yue Xiu District, Guangzhou, Guangdong Province, PRC	100%	Resettlement of original inhabitants in progress	2005	Commercial/ office	Total site area: 8,427 sq.m. Total gross floor area: approximately 104,000 sq.m.
Jingshazhou, Heng Sha, Guangzhou, Guangdong Province, PRC	100%	Planning stage	2010	Commercial/ residential	Total site area: 297,186 sq.m. Total gross floor area: approximately 356,000 sq.m.

Report of the Directors

DETAILS OF PROPERTIES (continued)

Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
Hai Xin Garden (previously known as Shanghai Baining Baba Plaza), Junction of Anhua Road and Kaixuan Road, Changning District, Shanghai, PRC	95%	Construction work in progress	Phase I 2004	Commercial/residential	Total site area (Phase I and remaining phases): 36,149 sq.m. Total gross floor area (Phase I and remaining phases): approximately 166,000 sq.m.

Details of the investment properties of the Group are as follows:

Location	Group interest	Tenure	Use
Commercial podium and certain office and service apartment units of Hong Kong Plaza, 282 & 283 Huaihaizhong Road, Luwan District, Shanghai, PRC	90%	The property is held for a term of 50 years, commencing on 16th September, 1992 and expiring on 15th September, 2042.	Office/shopping arcades/service apartments
181 units in North Tower of Hong Kong Plaza 282 & 283 Huaihaizhong Road, Luwan District, Shanghai, PRC	100%	The property is held for a term of 50 years, commencing on 16th September, 1992 and expiring on 15th September, 2042.	Service apartments

Details of the completed properties for sale of the Group are as follows:-

Location	Group interest	Existing use	Gross floor area
Certain portions in Eastern Place Phase I & II, 787 Dong Feng Dong Lu, Guangzhou Guangdong Province, PRC	100%	Residential	3,440 sq.m.

Report of the Directors

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in notes 14 and 15, respectively, to the financial statements. Further details of the Group's investment properties are set out in this report under the heading "Details of properties" above.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 16 to the financial statements. Further details of the Group's properties under development are set out in this report under the heading "Details of properties" above.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 27 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st July, 2002, the Company's reserves, including share premium, available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK\$3,019,959,000 (2001: HK\$3,030,560,000). Under the laws of the Cayman Islands, a company may make distribution to its members out of the share premium account under certain circumstances.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five years, as extracted from the audited financial statements of the Group, is set out below:

Results

	Year ended 31st July,				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Turnover	<u>142,510</u>	<u>161,743</u>	<u>191,593</u>	<u>135,190</u>	<u>726,283</u>
(Loss)/profit before tax	(89,471)	(165,864)	(153,573)	(56,376)	291,577
Tax	<u>(2,352)</u>	<u>2,068</u>	<u>120,740</u>	<u>(723)</u>	<u>(103,976)</u>
(Loss)/profit before minority interests	(91,823)	(163,796)	(32,833)	(57,099)	187,601
Minority interests	<u>(2,153)</u>	<u>(823)</u>	<u>44,373</u>	<u>67,927</u>	<u>(43,693)</u>
Net (loss)/profit from ordinary activities attributable to shareholders	<u>(93,976)</u>	<u>(164,619)</u>	<u>11,540</u>	<u>10,828</u>	<u>143,908</u>

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (continued)

Assets and liabilities

	As at 31st July,				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Fixed assets	50,280	6,364	8,170	8,785	6,097
Investment properties	2,952,400	2,954,000	2,972,060	2,956,000	2,754,000
Properties under development	3,209,980	3,354,567	3,287,781	3,625,264	3,528,397
Deferred pre-operating expenses	—	—	—	—	514
Interests in associates	599,908	624,178	672,280	683,415	687,415
Interests in jointly-controlled entities	5,118	50,127	50,127	188,572	183,219
Current assets	<u>193,351</u>	<u>228,136</u>	<u>393,966</u>	<u>358,650</u>	<u>618,739</u>
TOTAL ASSETS	<u>7,011,037</u>	<u>7,217,372</u>	<u>7,384,384</u>	<u>7,820,686</u>	<u>7,778,381</u>
Current liabilities	395,388	389,886	556,743	703,748	626,240
Long-term rental deposits received	10,735	7,303	8,660	16,538	19,930
Provision for premium on convertible note redemption	—	—	21,667	1,667	—
Convertible guaranteed bonds	—	—	929,445	937,206	1,027,881
Convertible note	—	—	600,000	600,000	—
Long-term interest-bearing bank loans, secured	829,445	891,635	97,112	—	—
Loans from a substantial shareholder	86,886	53,285	—	—	—
Minority interests	<u>165,085</u>	<u>162,376</u>	<u>151,889</u>	<u>429,193</u>	<u>725,689</u>
TOTAL LIABILITIES AND MINORITY INTERESTS	<u>1,487,539</u>	<u>1,504,485</u>	<u>2,365,516</u>	<u>2,688,352</u>	<u>2,399,740</u>
	<u>5,523,498</u>	<u>5,712,887</u>	<u>5,018,868</u>	<u>5,132,334</u>	<u>5,378,641</u>

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers was less than 30% of the Group's total turnover. During the year, the Group's purchases from its five largest suppliers accounted for approximately 48% of the Group's total purchases, while the largest supplier accounted for approximately 29% of the Group's total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders, which to the best knowledge of the directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest suppliers.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 33 to the financial statements.

DISCLOSURE PURSUANT TO PARAGRAPH 3.7.1 OF PRACTICE NOTE 19

Loans agreements for certain bank facilities of certain subsidiaries of the Group (the "Subsidiaries") impose specific performance obligations on Lai Sun Garment (International) Limited ("LSG"), the controlling shareholder of the Company, and Lai Sun Development Company Limited ("LSD"), an associate of LSG.

Pursuant to the covenants of the loans agreements, the Company and the Subsidiaries shall procure that LSG and LSD shall together hold not less than 45% of the total issued share capital of the Company at all times throughout the terms of the facilities.

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The outstanding loan balances of these facilities at the balance sheet date amounted to HK\$892,029,000, with the last instalment repayment falls due in December, 2007.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report. The non-executive directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of Association of the Company.

The Company has established an audit committee in accordance with paragraph 14 of the Code. The audit committee comprises the two independent non-executive directors of the Company, namely Mr. Wong Yee Sui, Andrew and Mr. Lam Bing Kwan.

Report of the Directors

AUDITORS

Ernst & Young retires and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming 2002 Annual General Meeting.

At the Company's 2001 Annual General Meeting held on 21st December, 2001, PricewaterhouseCoopers retired as auditors of the Company and a resolution was passed to appoint Ernst & Young as auditors of the Company in place of the retired auditors. In addition, there was a change of auditors of the Company from Ernst & Young to PricewaterhouseCoopers for the year ended 31st July, 2000. Apart from the above, there are no other changes of auditors of the Company in the past three years.

On behalf of the Board

Lim Por Yen
Chairman

Hong Kong
8th November, 2002